Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/14/2003

GAIN Report #CS3006

Costa Rica

Coffee

Annual

2003

Approved by:
AgAtt:ADHrapsky
U.S. Embassy, San Jose
Prepared by:
AgSpec:VGonzalez

Report Highlights:
Costa Rica's 2002/2003 crop reached 2,188,000 60 kg bags, 6.4 percent lower than the previous crop. Production is forecast to increase marginally during the 2003/2004 crop to 2,220,000 bags. Producers continue to operate under a very difficult financial environment.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
San Jose [CS1], CS

Executive Summary

Costa Rica's 2002/2003 coffee crop declined to 2,188,000 60 kg. bags from our previous estimate of 2,200,000 bags. Several factors, including lower use of inputs, a reduction in area planted and abandonment of some plantations, caused the decline. The 2003/2004 crop is expected to be marginally higher, the forecast is for 2,220,000 bags and assumes that the excellent weather conditions experienced so far, result in a good crop.

Producers continue to produce under very difficult pricing and financing conditions. At current prices, the outlook is for many of the small producers to abandon production in the medium term. The banking sector has become very risk averse when it comes to coffee financing, not only at the producer level, but at the processing level as well.

Table 1: Production, Supply and Distribution: Green Coffee

PSD Table						
Country	Costa Rica					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	107	107	107	107	0	107
Area Harvested	100	100	100	100	0	100
Bearing Trees	410	410	410	410	0	410
Non-Bearing Trees	50	50	50	50	0	50
TOTAL Tree Population	460	460	460	460	0	460
Beginning Stocks	1445	1445	1445	1416	1380	1374
Arabica Production	2350	2338	2200	2188	0	2220
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	2350	2338	2200	2188	0	2220
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	3795	3783	3645	3604	1380	3594
Bean Exports	2000	2017	1900	1925	0	1950
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	2000	2017	1900	1925	0	1950
Rst,Ground Dom. Consum	345	345	360	300	0	320
Soluble Dom. Consum.	5	5	5	5	0	5
TOTAL Dom. Consumption	350	350	365	305	0	325
Ending Stocks	1445	1416	1380	1374	0	1319
TOTAL DISTRIBUTION	3795	3783	3645	3604	0	3594

Production

Preliminary data from the Costa Rican Coffee Institute (ICAFE), indicate that the 2002/2003 crop reached 2,187,794 60 kg. bags. This is 0.5 percent lower than previously estimated, and 6.4 percent lower than the 2001/2002 crop year. The coffee sector was expecting an even smaller crop, as a result of the lack of adequate maintenance of many plantations. According to some sources, the use of fertilizers applied to coffee declined almost 50 percent during 2002. The fact that production did not decline even further is attributed to good cultural practices and the continued application of inputs (although at lower levels), that have allowed the plants to avoid a sharper decline in production.

Production during 2003/2004 is expected to increase slightly in relation to the 2002/2003 crop, to 2,220,000 bags. The rainy season is on time this year, and the flowering has been very good so far, according to coffee sector sources. However, the concern is that because of the lower input use and maintenance of the farms, the plants may be exhausted and will not yield a larger crop in 2003/2004.

Area

The ICAFE estimates that area planted has declined about 5 percent from their last census estimate of 113,000 ha. This puts area planted at approximately 107,000 ha. Most marginal areas have been taken out of coffee production. Those were areas where quality and yields were not very good to begin with. In the Central Valley of the country, there are coffee plantations sitting on very valuable land, and urban expansion is pushing coffee production out. A more difficult figure to estimate is the area that is still planted to coffee but has been abandoned. According to ICAFE, there are farms where the coffee plants are still there, but not receiving any attention at all from the farmers.

Consumption

According to information provided by ICAFE, domestic consumption of coffee declined sharply in 2002/2003. The lower consumption figure (300,000 bags) is attributed to the lower consumption of coffee among the younger generations. The ICAFE is planning marketing activities intended to increase consumption among those groups. Coffee for domestic consumption has a lower price than exported coffee. According to ICAFE, during the 2001/2002 crop, the average export price was $83.80 per 60 kg. bag, while the average price for domestically sold coffee was $51.23 per 60 kg. bag.

Trade

Costa Rica’s coffee exports during the 2001/2002 crop year amounted to 2,017,044 60 kg bags, down 180,523 bags or 8 percent as compared to the 2000/2001 period. The U.S. remains the main destination of Costa Rican coffee, with 41.1 percent market share in 2001/2002, followed by Germany with 15.2 percent.

Table 2: Export Matrix, Coffee, Green

Export Trade Matrix			
Country	Costa Rica		
Commodity	Coffee, Green		
Time period	2002	Units:	60kg bags
Exports for:			1
U.S.	828,538	U.S.	
Others		Others	
Germany	305,986		
Italy	182,010		
Japan	126,150		
Netherlands	72,622		
Belgium	71,111		
Canada	69,537		
Total for Others	827,416		0
Others not Listed	361,090		
Grand Total	2,017,044		0

Policy

Costa Rica is negotiating a free trade agreement with the United States (CAFTA), along with four other Central American countries. Coffee sector officials are concerned about the possibility of low price coffee entering the country under the CAFTA. The argument is that the U.S. imports and mixes coffee from different sources and would be able to sell a low price product. The current import duty on coffee is 15 percent and some small quantities of imported (mostly soluble) coffee are sold at the supermarkets.